

## Climate Change, Environment and Rural Affairs Committee Scrutiny of the Welsh Government Draft Budget 2018-19: December 2017

### Initial Response to Recommendation 10 by Welsh Government and Natural Resources Wales

#### Background

The Climate Change, Environment and Rural Affairs Committee published a report in December following their scrutiny of the WG Draft Budget 2018-19. One of the 15 Recommendations was:

The Welsh Government must, in discussion with Natural Resources Wales (NRW), keep under review the capacity of NRW to fulfil its responsibilities and statutory functions. The Welsh Government should provide an initial report on this matter to the Committee within six months.

#### Funding context

In a letter to the Minister for Environment of 12 October 2017, the Chair of NRW described their current and likely future position in relation the draft budget (as outlined by the Cabinet Secretary for Finance and Local Government in his 3 October 2017 statement).

As of 27 March 2018, their 2018/19 budget has been confirmed at £197.4m (including £13m of additional 'end of year' funding from WG). They have also published their [Corporate Plan to 2022](#). Their Board has agreed their Finance Strategy to 2022 and their Business Plan for 2018/19. On receipt of their remit letter, the Chief Executive (under delegated authority from the Board) can give it her final approval. The significant level of funding NRW receives has allowed them to set ambitious targets in their Business Plan, however there is more they would like to be able to deliver.

Their plans and strategies reflect their delivery priorities. NRW's roles and responsibilities are summarised [here](#). [Their](#) statutory functions, set at the time of the organisation was created, are largely reflected [here](#). [These](#) have since changed through Acts including the [Well-being of Future Generations \(Wales\) Act 2015](#), [Environment \(Wales\) Act 2016](#) and [Planning \(Wales\) Act 2015](#)). These documents make it clear how, with partners, NRW is expected to work and deliver over the coming years.

#### Funding and planning

NRW manages their funding to meet financial spend targets year on year. They will deliver the savings identified in the Business Case for setting up NRW and this has helped to support their reduction in Grant in Aid funding. However, whilst funding reductions now exceed savings, they are developing plans to ensure they are ready for the opportunities and risks from Brexit.

NRW want to continue to deliver their work efficiently in future. Officials are discussing with NRW how they might help NRW to do this, which might include providing longer-term sources of funding. Officials are also discussing long term priorities with NRW. Both of these should help NRW to improve the planning and delivery of their core activities.

NRW has plans to increase other sources of funding, such as new and existing commercial income streams and charge schemes. This requires further discussion with officials and will need Ministerial support and approval to meet this ambition.

## Welsh Government support

In the letter to the Minister, NRW highlighted some key ways they believe Welsh Government could support delivery of their work on a long-term basis. These included:

- Enabling NRW to retain income from windfarm developments on the Welsh Government Woodland Estate (currently NRW is required to surrender this income to Welsh Government);
- Supporting NRW covering costs in areas where we directly charge customers, e.g. raising charges;
- Providing us with core Grant in Aid funding for our 'new' duties (e.g. Reservoirs Act)
- Funding job evaluation (an element of moving toward a new organisational design)
- Providing long-term funding for tree health activity (which currently receives annual funding allocations)

NRW received additional one-off funding (~£13m) in 2018/19 in relation to their new duty with regard to reservoirs and tree-health. However, they have funded themselves for the impact of consolidating the 2017/18 pay award into 2018/19. They have reflected the increase in cost of job evaluation by allowing staff the option of opting out, thereby extending the period in which they will pay for protection of salary.

NRW and Welsh Government officials have started conversations about other areas of support, including the potential for:

- Open and transparent prioritisation of Grant in Aid with opportunities for NRW to influence the budget
- Increasing non-flood capital funding, which is currently insufficient
- Longer term funding settlements, or introduction of a funding floor, for a term of government
- Not ring-fencing Grant in Aid funding, such as between Flood and Non-Flood, to better support work that delivers multiple benefits
- Legal support to remove restrictions on raising new commercial income streams, such as powers to trade
- Funding work to ensure joint Brexit preparedness develops at pace.

## Responding to reducing funding

NRW is currently creating a new organisational design based on what they consider their future funding position is likely to be. So, as an example, NRW believe a reduction of £6m Grant in Aid over two financial years means they will need to reduce their 2020 structure to accommodate that.

The new organisational design will reflect the anticipated reality of their future funding position. Each year they plan their activity to the resources they expect to have available. NRW and officials have started discussions to identify activities which may be delivered differently/with others this year, or may be halted

These discussions have also started to look at those activities which may be delivered more slowly. These discussions are ongoing, and are not easily completed. Both Welsh Government and NRW are working together to come to an agreement about how these activities are placed against current Welsh Government priorities and NRW statutory requirements.

## Summary

NRW and Welsh Government are working together, alongside their mutual partners, to review the capacity of NRW to fulfil its responsibilities and statutory functions. Both organisations are working to develop a shared sense of priorities, based on the funding to support them.